

## 2. Priority in the reception accorded to Sax's thought in Italy: Ricca-Salerno and Graziani

### 2.1 Sax and Ricca-Salerno

Giuseppe Ricca-Salerno (1849-1902) studied with Luigi Cossa<sup>10</sup> at Pavia, and then with Adolph Wagner at Berlin. He was the first in Italy to hold a chair of public finance, in 1878, set up by Cossa himself for the university of Pavia (Ferraris 1916). After a period in which he followed the German historical school, Ricca-Salerno joined the Austrian school “and soon became one of its most fervent and authoritative champions in Italy” (Loria 1912: 640). Ricca-Salerno’s fame abroad is quite evident from his publications and reviews in English<sup>11</sup> and German<sup>12</sup> language journals. His *Storia delle dottrine finanziarie in Italia* (History of Financial Science in Italy, 1881) was greatly appreciated worldwide<sup>13</sup>. He is especially remembered for his “great familiarity and sympathy with German science” and for his “singular attachment to the writers beyond the Rhine” (Loria 1912: 639).

Following an entirely different path from Pantaleoni’s, Ricca-Salerno adhered to marginalism precisely through Emil Sax<sup>14</sup>. In fact, with extraordinary timeliness, in an article published in the April 1887 number of the *Giornale degli economisti*, he set out the theory contained in Sax’s *Grundlegung der theoretischen Staatswirthschaft* (Principles of the theory of Public Finance), which had come out in the same year (Ricca-Salerno 1887). It may be asked how he managed to grasp its innovative quality, work out extensive critical treatment, and then also publish an article on it, practically at the same time as the publication of the book itself<sup>15</sup>.

The following year Ricca-Salerno (1888) took up Sax’s theory again in his manual *Scienza delle finanze* (Public finance). It is to this book that the secondary literature refers

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<sup>10</sup> Luigi Cossa (1831-1896), after a period in Germany (with Wilhelm Roscher) and in Austria (with Lorenz von Stein), became an academically powerful figure in Italy, and an amazingly erudite historian of economic thought, whose works were translated and widely known throughout the world.

<sup>11</sup> There are reviews of his works in the *Political Science Quarterly* of 1889, 1892, 1895, 1897, 1900, and in the *Economic Journal* of 1896, 1901.

<sup>12</sup> Ricca-Salerno published in German in *Finanzarchiv* (in 1884, 1885 and 1886) and some of his work was reviewed in the same journal (in 1889, 1896 and 1962/63) and in the *Jahrbücher für Nationalökonomie und Statistik* (in 1896 and 1900).

<sup>13</sup> The book “had been recognised as the most complete of its kind and as a model of what such a work should be” (Bastable 1896: 105).

<sup>14</sup> Barucci thinks that: “He does not seem to have been directly influenced by the works of Jevons, Menger, or Walras; rather, it appears that he had gone through his own evolution by way of a work of completely internal reconsideration” (Barucci 1972: 524-525).

<sup>15</sup> As Barucci (1972: 524) writes, to properly understand how the events occurred, we would have to know the exact dates of publication of both the book and the journal.

when it states that Ricca-Salerno, despite the remarkably original features, was mainly an interpreter of Sax. For example Ugo Rabbeno wrote: “Ricca-Salerno adopts in great part the financial theories of Sax... These he elucidates and explains, extending the applications of the theory of value in the field of finance” (1891: 461). And this was also Seligman’s opinion: “Many of his observations – he writes – show great acuteness, but his criticisms as well as his conclusions are based chiefly on those of Sax” (1892: 335). Mazzola even argued that “In setting out Sax’s theory, Ricca-Salerno noticed what was missing in it, and worked out how to complete it” (1890: 64-65)<sup>16</sup>.

Even if Ricca-Salerno were unable to find a place in a “thin” history of public finance, he would certainly be present in a “thick” one, since it is precisely to him that we owe the entry into Italy of the name of Emil Sax. Einaudi for example wrote that Ricca-Salerno “popularized with amazing success” Sax’s work (Einaudi [1934] 1936: 22). Some felt that Ricca-Salerno exaggerated his fame; for example Mazzola (1890) tried to diminish its importance when he wrote:

“despite his cleverness, his critical acuteness and his doctrine, [Sax] does not deserve, in Italy, that consensus which he does not enjoy in his own country; and since I see the theory accepted, in other later works, and the faults not pointed out, it seemed to me a good idea to waste no further time and express my own disagreements” (1890: pp. X-XI).

Ricca-Salerno is thus considered both the person who first understood the importance of Sax’s work in Italy, as well as the most faithful follower of his ideas, and finally as the one responsible for their diffusion in Italy.

## 2.2. Sax and Graziani

Augusto Graziani (1865-1945) was the author of several studies on public finance, on economic theory in general and on the history of economic thought. He graduated in 1886 from Modena, where he had studied with Ricca-Salerno, and after his degree moved to Pavia under Luigi Cossa; he expressed his gratitude to these two teachers throughout his life. A work of his on the history of the theory of value in Italy was reviewed by Böhm-Bawerk (1890), while his manuals of public finance and political economy received words

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<sup>16</sup> According to Mazzola, Ricca-Salerno even deserves praise for having made clearer or more comprehensible Sax’s obscure and over-weighty prose (Mazzola 1890: 64-65).

of praise in two reviews by Edgeworth (1897 and 1904). Many other works of his were reviewed in German<sup>17</sup>, and he himself wrote reviews in the same language<sup>18</sup>.

Still in 1886, Graziani wrote *Sull'aumento progressivo delle spese pubbliche* (On the progressive growth of public expenditures), a work which won him a prize in a competitive examination organised by the *Accademia di scienze lettere ed arti* in Modena, and sponsored by Luigi Cossa himself. As can be seen from its title, the work consists of an application of “Wagner’s law” to Italian data<sup>19</sup>. In a note, Graziani wrote: “The classification of the financial theories in theory of consumption, of *exchange*, of *productivity*, and of *reproductivity* belong to Sax, and we treated this brilliantly distinguished book as if it were a *Leitfaden* for the writing of this preliminary chapter” (1887: 254, author’s italics). In this essay the author relates Sax’s criticisms of the various theories on the nature of public expenditures, and sets out his ideas in considerable detail; he had thus read, assimilated and utilised Sax’s 1887 work as soon as it had been published. In this work Graziani also cites Ricca-Salerno’s article of the same year, finding it “full of the most acute observations” (1887: 258), and in addition he calls him “the only writer who has examined this very latest book of Sax’s”, and as he who “after having summarised it ... found his work lacking in two respects” (1887: 264-265). At this point Graziani extensively sums up Ricca-Salerno’s criticisms of Sax.

To sum up: Sax published his book in 1887, and as we have seen, that same year Ricca-Salerno reviewed it extensively; we pointed out that such timeliness aroused a certain amount of surprise. But it doesn’t end here: a short while afterwards, still in the same year, a work of Graziani’s of considerable weight was published in which Sax’s theory was drawn upon a great deal and in which the 1887 Ricca-Salerno’s article was cited.

One explanation for this overlapping of publications may lie in the possibility that the journals came out later than their official dates; thus both the *Giornale degli economisti*, and the *Memorie* of the Modena *Accademia* might really have been published in 1888 with

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<sup>17</sup> There are reviews of Graziani’s works in the *Jahrbücher für Nationalökonomie und Statistik* (1904, 1911, 1912, 1935, 1938).

<sup>18</sup> Graziani was the author of reviews published in *Weltwirtschaftliches Archiv* (1914, 1927, 1930, 1931, 1938).

<sup>19</sup> An historical assessment of the Italian economists’ contribution to the theory of public expenditure growth is made by Mastromatteo (2003).

the date of 1887, and thus the authors would have had all the time necessary to do the reading and work out their analysis.

But the episode risks becoming quite mystifying when we realise that the deadline for handing in manuscript essays for the competitive examination at the Modena *Accademia* was December 31st. 1886, and we know for certain that Graziani's essay was actually handed in at that time<sup>20</sup>. Neither Sax's book, nor Ricca-Salerno's article had been published by then. Nevertheless, it must be remembered that on June 25th. 1887, at the end of the peer review process, Graziani withdrew his work from the *Accademia* to make the corrections that had been requested: he could perhaps have inserted the references to Sax and Ricca-Salerno while revising, *i.e.* starting from June 25th. 1887. This was a very quick revision, however, because on August 3rd. 1887, in a letter to the *Accademia*, Graziani wrote that he had already given the first chapter to the printer's, and this was precisely the chapter based on Sax's theory<sup>21</sup>. More probably Ricca-Salerno could have received Sax's book before its publication, and could have passed it on to Graziani together with the manuscript of his article on Sax later published in the *Giornale degli economisti*.

Whatever happened, we believe that it was certainly the case that Ricca-Salerno introduced Sax's work to Graziani. The latter never personally claimed priority in the reception of Sax's work in Italy, but always allocated the merit to his mentor Ricca-Salerno; in 1897 he was writing: "Prof. G. Ricca-Salerno ... was the first to set out the theory of Sax in Italy" (1897: 68). If the fact that Graziani's work had a rather limited circulation is remembered<sup>22</sup>, there is all the more reason for the merit of having made Sax's ideas known in Italy to be allocated entirely to Ricca-Salerno.

Graziani later translated Sax's *Gli ultimi progressi della scienza economica* (The latest advances in economic science, Sax 1889). Moreover, in his manual of public finance he explicitly declares that his interpretation is based on Sax's theory (Graziani 1897: 62), and in the one on political economy he repeatedly cites Sax, in particular for his contribution to

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<sup>20</sup> In the Modena *Accademia* we found the manuscript letter with which Graziani accompanied his work, dated December 31st. 1886; we also know that on January 13th., 1887 the work was sent to the first referee, and on February 3rd. to the second one (who, by the way, was Giuseppe Ricca-Salerno) (Archivio concorsi, 21/d).

<sup>21</sup> "I already gave the first chapter to the printer". Letter from Graziani to Pietro Bortolotti, general secretary to the *Accademia di scienze, lettere ed arti di Modena*, dated Modena, August 3rd. 1887 (Archivio concorsi 21/d).

<sup>22</sup> The essay was republished in 1966 with the title *Intorno all'aumento progressivo delle spese pubbliche* (On the increasing growth of public expenditure).

transport economics (Graziani 1904)<sup>23</sup>. His greatest tribute to Sax is in a publication addressed to the German public in 1912<sup>24</sup>. Sax in his turn recalled Graziani with especial gratitude “for having drawn the attention of scholars to his book” (Sax 1924: 299)<sup>25</sup>.

### **3. Priority in the development of a pure theory of public finance: Sax and De Viti de Marco**

De Viti de Marco (1858-1943) is considered “the principal founder of the Italian public finance tradition” (Kayaalp 2004: 66); he is known for his hypotheses of the two types of state: the monopolistic and the cooperative. He is also the author of a very widely used handbook (*First principles of public finance*)<sup>26</sup>.

To tackle the question of priority between Sax and De Viti de Marco on the working out of an economic theory of public finance, we have to start from the words De Viti himself wrote in 1927 in the *Preface* to the first edition of his well-known manual: “following a general order of ideas I had fixed in 1886-87, I set myself to make a *positive* exposition of the financial theories” (1928, author’s italics). De Viti is referring to the academic year when he gave a course of lectures at Pavia<sup>27</sup>. In the sentence quoted, corresponding to the dates 1886-87, there is a bibliographical footnote referring to “*Il Carattere teorico dell’Economia finanziaria*, Roma, 1888”<sup>28</sup>. We also recall that in the *Preface* to this latter book he thanks the students “who attended the 1886-87 course at the University of Pavia” (1888: VIII). All this implies a fact relevant to our reconstruction, *i.e.* that De Viti identified the content of his lectures of 1886-87 with that of the volume published in 1888. To confirm this, here is the evidence of another well-known Italian economist, Giovanni Montemartini<sup>29</sup>, one of the students of that academic year at Pavia who De Viti thanked.

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<sup>23</sup> On Sax’s theory of transportation see Pickhardt (2005b).

<sup>24</sup> Graziani wrote: “Sax’s book ... provoked lively debate and analysis. For the first time in that book ... a general principle was affirmed to which all financial phenomena tend to conform ... It may certainly be said that Sax’s work contributed considerably to the shape of today’s Italian public finance” (Graziani [1908] 1966: 146-147).

<sup>25</sup> Sax is referring to the citations of his 1887 work by Graziani in his book *Istituzioni di scienza delle finanze* (Principles of public finance, Graziani 1897).

<sup>26</sup> The book, written in 1928, was translated into German (1932), Spanish (1934) and English (1936). It received at first a very good review from Benham (1934), while it was heavily but unfairly criticised by Simons (1937). See Asso and Fiorito (2001: 355-358).

<sup>27</sup> There is a lithograph volume of these lessons (De Viti de Marco 1886-87). This volume is cited by De Viti de Marco himself in the note *To the reader* of the first edition of his *Principii* (De Viti de Marco 1928); unfortunately I have not been able to trace this edition of De Viti’s lectures.

<sup>28</sup> *The theoretical character of public finance*. Only the first chapter of this book is available in English.

<sup>29</sup> One of his contributions is translated in Musgrave and Peacock (1958: 137-151).